

**STATE OF MAINE
BUREAU OF INSURANCE**

IN RE:

CUNA MUTUAL
INSURANCE SOCIETY

Maine License No. LHF155
NAIC Code 62626

CONSENT AGREEMENT

Docket No. INS 10-219

This Consent Agreement, authorized by 10 M.R.S. § 8003(5), is entered into among CUNA Mutual Insurance Society ("CUNA Mutual"), the Superintendent of the Maine Bureau of Insurance, and the Maine Office of the Attorney General. Its purpose is to resolve, in lieu of an adjudicatory proceeding, alleged violations of the Insurance Code for which the Superintendent may impose discipline pursuant to 24-A M.R.S. §§ 1417(1) and 1420-K(1)(A).

The Superintendent of Insurance is the official charged with administering and enforcing Maine's insurance laws and regulations, and the Bureau of Insurance is the administrative agency with such jurisdiction. The Superintendent has jurisdiction over this matter pursuant to the Insurance Code generally, Title 24-A Maine Revised Statutes, in particular, 24-A M.R.S. §§ 12-A, 211, and 229, as well as other provisions.

STATEMENT OF FACTS

1. CUNA Mutual has been licensed in Maine as an insurer since July 1, 1954. CUNA Mutual's Maine License Number is LHF155 and its NAIC Code is 62626.
2. CUNA Mutual sells group credit disability insurance policies to credit unions that in turn offer coverage under the policies to their loan holders. Such policies generally obligate the insurer to assume monthly payments on the insured borrower's loans during the period of the borrower's disability. CUNA Mutual issues certificates of insurance to those borrowers who elect coverage under the group policies. CUNA Mutual's certificate holders include Maine residents.
3. CUNA Mutual's certificates of insurance set forth the rights and obligations of the certificate holder, including certain time limits relating to filing a credit disability claim. The certificates were approved by the Bureau on October 19, 1987.
4. The certificates issued to Maine residents between 1987 and at least August 2007 set forth the following instructions as to how to timely file a credit disability claim:

HOW TO FILE A DISABILITY CLAIM

You must contact us or your credit union about your total disability claim when you are eligible for benefits. Your credit union will provide you with claim forms or you can simply send us written proof of your disability. That proof must show the date and the

cause of the total disability and how serious it is, and it must be signed by a physician or a chiropractor. The initial proof should be for the initial period of total disability, after you have completed the Waiting Period or Elimination Period. After that, we will require proof of your continued disability, from time to time.

You must send proof to us within 90 days after your total disability stops. If you cannot send proof to us within 90 days, you must do so as soon as you can. Unless you have been legally incapable of filing proof of total disability, we won't accept it if it is filed after one (1) year from the time it should have been filed.

5. Prior to May 2002, CUNA Mutual did not apply the above provision to deny any claim as untimely filed.
6. Beginning in May 2002, and in accordance with its interpretation of the language, CUNA Mutual began applying the above provision to deny, as untimely, claims filed more than one year from the onset of disability.
7. The denial letters CUNA Mutual sent to claimants stated that the claims were untimely because claimants did not file their claims within one year after the claimants' disabilities began.
8. In November 2006, CUNA Mutual filed with the Bureau, and the Bureau approved, an amended certificate that states that a proof of disability "be sent to [CUNA Mutual] within 90 days after your total disability begins." CUNA Mutual distributed the revised forms to its Maine credit unions starting in July 2007.
9. Between 2002 and 2009, CUNA Mutual denied 67 claims by Maine certificate holders for filing a claim more than one year from the onset of disability. All of these denials were based on the 1987 certificate.
10. In March 2009, the Bureau received a complaint from one of the Maine certificate holders whose claim had been denied.
11. In May 2009, CUNA Mutual discontinued its practice of denying claims filed more than one year after the onset of disability and, starting in June 2009, on a national basis, CUNA Mutual voluntarily reopened all past claims denied for this reason.
12. As part of its decision to reopen claims nationally, CUNA Mutual paid 57 Maine claims (representing 48 certificate holders) that had previously been denied as untimely. CUNA Mutual paid \$339,788.84 on re-opened Maine claims.
13. Based on its analysis of the time-filing provision, on July 14, 2010 the Bureau filed a Petition for Enforcement alleging that the time-filing language allowed certificate holders to file claims up to one year from the date 90 days after their disabilities stopped.
14. In December 2010, CUNA Mutual voluntarily paid interest on the re-opened Maine claims at the five-year Treasury Bill rate.
15. After filing its Petition for Enforcement, the Bureau of Insurance conducted a targeted market conduct examination of CUNA Mutual's credit disability line and concluded that, during the examination period tested for, June 1, 2008 to June 30, 2010, CUNA Mutual was in substantial compliance with all tested criteria, including claims handling standards.

APPLICABLE LAW

16. Pursuant to 10 M.R.S. § 8003(5) and 24-A M.R.S. §§ 12-A and 1420-K the Superintendent may take enforcement action against a licensee who violates any provision of the Insurance Code. The Superintendent's enforcement options include suspending and revoking licenses, and assessing civil penalties.
17. CUNA Mutual neither admits nor denies the conclusions of law discussed below.

CONCLUSIONS OF LAW

18. Section 2862(1) of the Insurance Code provides that, with regard to all authorized forms of consumer credit insurance, "[a]ll claims shall be settled . . . in accordance with the terms of the insurance contract."
19. The Superintendent finds that CUNA Mutual's denial of claims filed more than one year after the claimant's disability started was not in accordance with the terms of the insurance contract.
20. The Superintendent finds that CUNA Mutual violated section 2862(1) each time it denied such a claim.
21. Section 2153 of the Insurance Code provides that no person shall make, issue, circulate or cause to be made, issued or circulated any statement misrepresenting the terms of any policy issued.
22. The Superintendent finds that CUNA Mutual's denial letters misrepresented the terms of the policy by stating that certificate holders must file proof of disability within one year from when the disability began.
23. The Superintendent finds that CUNA Mutual violated section 2153 each time it issued such a letter.

COVENANTS

24. In lieu of conducting a hearing, CUNA Mutual, the Maine Superintendent of Insurance, and the Maine Office of the Attorney General agree to the following:
 - a. This Consent Agreement is enforceable by an action in the Superior Court;
 - b. This Consent Agreement is not subject to appeal. CUNA Mutual waives any further hearings or appeals regarding the matters that are the subject of this Consent Agreement;
 - c. CUNA Mutual agrees, as a disciplinary sanction, to the imposition of a civil penalty of \$100,000.00, payable to "Treasurer, State of Maine" within 30 days of the execution of this Consent Agreement;
 - d. CUNA Mutual understands and acknowledges that this Consent Agreement will constitute a public record within the meaning of 1 M.R.S. § 402, will be available for public inspection and copying as provided for by 1 M.R.S. § 408, and will be reported to the NAIC "RIRS" database;
 - e. In consideration of CUNA Mutual's execution of and compliance with the terms of this Consent Agreement, the Superintendent of Insurance, the Bureau of Insurance, and Office of the Attorney General agree to forgo pursuing further disciplinary measures or other civil or administrative sanctions available under the Insurance Code for the specific conduct described in this Consent Agreement, other than those agreed to herein;

- f. In the case of a violation of this Consent Agreement, the parties may pursue any available legal remedy to enforce the Consent Agreement in a court of competent jurisdiction; and
- g. This Consent Agreement shall not be construed to constitute any admission of liability, and shall not affect the rights or interests of any person who is not a party to this Consent Agreement and shall not be construed to confer any rights or interests upon any person who is not a party to this Consent Agreement.

CUNA MUTUAL INSURANCE SOCIETY

Dated: June 24, 2011

CUNA Mutual Insurance Society

By: Jon G. Furlow
Its: Vice President, Associate General Counsel

THE MAINE SUPERINTENDENT OF INSURANCE

Dated: July 1, 2011

Eric Cioppa, Acting Superintendent

FOR THE OFFICE OF THE ATTORNEY GENERAL

Dated: July 1, 2011

Jonathan R. Bolton
Assistant Attorney General